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THE EAGLES MASTER ASSOCIATION, INC.

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2009
(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)**

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
The Eagles Master Association, Inc
Odessa, FL

We have audited the accompanying combined balance sheet of The Eagles Master Association, Inc. as of September 30, 2009, and the related combined statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of The Eagles Master Association, Inc. management. Our responsibility is to express an opinion on these financial statements based on our audit.

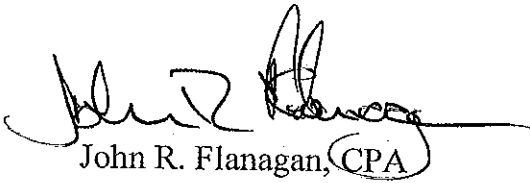
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Note V to the financial statements, the The Eagles Master Association, Inc is the Plaintiff in a parking covenant enforcement lawsuit. The Circuit Court ruled that the defendants' were the prevailing party. The Eagles Master Association, Inc has appealed the Trial Courts decision. The Eagles Master Association, Inc has a potential liability arising out of attorney's fees that the defendants' expended in the litigation. While The Eagles Master Association, Inc does not know the current dollar value the Defendants are seeking, it appears to be estimated in the approximately \$160,000 of exposure. The Association has filed an appeal in the second District Court of Appeals.

In addition the Association has filed a legal action against Eagles Nest Holdings, LLC, the golf course, to collect past due assessments. Eagles nest Holdings has filed a counter claim challenging the vote of the Board to proceed regarding the assessments. To the extent the Board is not duly constituted. Should the defendants prevail the Golf Course receivable would decrease by \$76,295 and bad debt expense would increase by \$76,295. Should the Association prevail the Association would be awarded the \$76,295 plus interest and expenses.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Eagles Master Association, Inc. and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combined schedule of operating fund revenues, expenses on pages ten (10) and eleven (11). Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "John R. Flanagan", with a stylized flourish extending to the right.

John R. Flanagan, CPA

President

Flanagan & Jason, Inc.

January 19, 2010

The Eagles Master Association, Inc
Balance Sheet
September 30, 2009

	<u>Operating Fund</u>
<u>Assets</u>	
Cash	\$ 164,805
Certificates of deposit	107,126
Assesments receivable net of allowance for doubtful accounts of \$17,097	48,387
Prepaid insurance	6,332
Golf course receivables	76,295
Utility deposits	1,700
Security vehicle net of depreciation of \$10,824	<u>1,909</u>
Total Assets	<u><u>\$ 406,554</u></u>
 <u>Liabilities</u>	
Accounts payable	\$ 16,879
Prepaid assessments	<u>165,839</u>
Total Liabilities	182,718
 <u>Fund Balance</u>	
Total Liabilities and Fund Balance	<u><u>223,836</u></u> <u><u>\$ 406,554</u></u>

The notes which follow all the financial statements covered by the CPA firm's audit report provide further information required by generally accepted accounting principles. They are to be read as an integral part of this statement.

The Eagles Master Association, Inc
Statements of Revenues, Expenses, and Changes in Fund Balances
For the Year Ended September 30, 2009

	Operating Fund
<u>Revenues</u>	
Member assessments	\$ 731,810
Golf course assessment	50,000
Interest earned	5,354
Late charges	13,988
Other income	6,971
	808,123
 <u>Expenses</u>	
Administrative	239,070
Utilities and services	414,789
Grounds	71,651
Buildings and maintenance	7,309
	732,819
 Excess of Revenues Over Expenses	75,304
 Beginning Fund Balance	148,532
 Ending Fund Balance	\$ 223,836

The notes which follow all the financial statements covered by the CPA firm's audit report provide further information required by generally accepted accounting principles. They are to be read as an integral part of this statement.

The Eagles Master Association, Inc
Statement of Cash Flows
For the Year Ended September 30, 2009

	Operating Fund
Cash Flows From Operating Activities	
Cash received from members	\$ 703,670
Other income	20,959
Cash paid to suppliers and contract servicers	(710,014)
Interest received	5,354
Net Cash Provided by Operating Activities	19,969
 Cash Flows (Used For) Financing Activities:	
Purchase of Certificates of Deposits	(3,885)
 Increase in Cash	 16,084
 Cash Beginning of Year	 148,721
 Cash at Year End	 \$ 164,805

The notes which follow all the financial statements covered by the CPA firm's audit report provide further information required by generally accepted accounting principles. They are to be read as an integral part of this statement.

The Eagles Master Association, Inc
Statement of Cash Flows
For the Year Ended September 30, 2009

	<u>Operating Fund</u>
Reconciliation of Excess of Revenues Over Expenses to Cash Provided (Used) by Operating Activities:	
Excess (Deficit) of Revenues Over Expenses	<u>\$ 75,304</u>
Adjustments to Reconcile Excess of Revenues Over Expenses to Cash Provided by Operating Activities:	
Depreciation expense	2,547
Decrease (increase) in operating assets:	
Assessments receivable	(15,217)
Prepaid expenses	(4,476)
Golf course receivable	(40,490)
Increase (decrease) in operating liabilities:	
Accounts payable	9,823
Prepaid assessments	<u>(7,522)</u>
Total Adjustments	<u>(55,335)</u>
 Net Cash Provided by Operating Activities	 <u><u>\$ 19,969</u></u>

The notes which follow all the financial statements covered by the CPA firm's audit report provide further information required by generally accepted accounting principles. They are to be read as an integral part of this statement.

The Eagles Master Association, Inc
Notes to Financial Statements

ORGANIZATION

The Association is a not-for-profit corporation organized to provide an entity pursuant to the Florida Statutes for the administration, maintenance, operation, and management of The Eagles Master Association, Inc located in Odessa, FL. The Eagles Master Association, Inc consists of 1,130 residential units. Assessments against the owners of the residential units, which are the principal source of revenue, are based on the estimated amounts required to protect and maintain the property owned by the owners in common and are divided equally among the units.

All policy decisions are formulated by the Board of Directors. Certain major decisions are referred to the general membership before action is taken. Assessments are determined annually by the Board of Directors based upon maintenance and other operating requirements of the Association. Any deficit or excess of revenue over expenses would, in effect, increase or decrease assessments required in future periods

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the fund method of accounting on the accrual basis. The accrual basis of accounting recognizes revenues when earned and expenses when the obligations are incurred.

The fund method of accounting requires funds, such as operating funds and funds for future major repairs and replacements, to be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the operating fund are generally made at the discretion of the Board of Directors. Disbursements from the replacement fund may be made only for repair and replacement of the common element.

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund – This fund is composed of assessments paid by unit owners to fund future replacements, major repairs and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied.

The Eagles Master Association, Inc
Notes to Financial Statements

**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
continued**

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Interest Earned on Replacement Fund

The Association retains interest earned on operating fund accounts in the operating fund net of taxes and interest earned on replacement fund accounts in the replacement fund. For 2009, the amount of interest earned was \$526 on the operating fund.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires managements to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Association has an option for income tax purposes to elect on an annual basis to be taxed as a regular corporation under Section 277 of the Internal Revenue Code whereby non-exempt, function income is taxed at regular corporate rates, or to be taxed at a special corporate rate of 30% on its net, non-function income, less \$100 exclusion, in accordance with Section 528 of the Internal Revenue Code. For 2008, the corporation has elected to file under Section 528.

NOTE II – MAINTENANCE FEES

The Association bills its maintenance fees in advance on a bi-annual basis. Maintenance fees received in advance for 2010 amounted to \$165,839.

Bi-annual assessments to owners were \$325 in 2009.

The annual budget and assessments of owners are determined by the Board of Directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

The Eagles Master Association, Inc
Notes to Financial Statements

NOTE III – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Board of Directors did not conduct a study while preparing the 2010 budget to estimate the remaining useful lives and the replacement costs of the common property components. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments, or levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE IV – GOLF COURSE TRANSACTIONS

The owner of the golf course has membership rights in the Association and is responsible for a proportionate share of the Association expenses. The Association's governing documents state the golf course owner shall not be liable for assessments against the property constituting the golf course in excess of twenty percent (20%) of any annual special assessment, or \$50,000 per year, whichever is less.

NOTE V – CONTINGENCIES

The Eagles Master Association is currently in litigation in a case styled, *The Eagles Master Association, Inc. v. Arthur J. Vizzi and Doree D. Vizzi*, pending in the Thirteenth Judicial Circuit in and for Hillsborough County, Florida, Case No. 06-11801, Division O. This case arose out of the Eagles Master Association duty to enforce its parking restrictions. The Vizzis have denied the ability of the Eagle Master Association to enforce its parking restrictions and filed a counterclaim questioning whether Board of Directors is properly constituted. The Circuit Court ultimately ruled that on a number of different grounds that The Eagles Master Association was unable to enforce its parking restrictions against the Vizzi's and shortly thereafter, the Vizzis dismissed their Counterclaim against the Association. The Trial Court has ruled that the Vizzis were the prevailing party. The Eagles Master Association has potential liability arising out of the attorneys fees that Vizzi's expended in the above litigation. While The Eagles Master Association does not know the current dollar value that the Vizzi's are seeking, it is estimated to be \$160,000. With respect to the Court's decision regarding the unenforceability of The Eagles Master Association's parking restriction with respect to the Vizzi's pick up truck, The Eagles Master Association has filed an appeal currently styled *The Eagles Master Association, Inc. v. Arthur J. Vizzi and Doree D. Vizzi*, pending in the Second District Court of Appeals, Case Number 2D-09-19S4. The Eagles Master Association is in the process of completing its reply brief. There may be exposure for additional legal fees arising out of the appeal.

The Eagles Master Association, Inc
Notes to Financial Statements

NOTE V – CONTINGENCIES, continued

The Eagles Master Association is currently in litigation against with Eagles Nest Holdings, LLC., the owner of the golf course. The Association is seeking to foreclose a lien that is in the amount of \$84,628 for failure of Eagles Nest Holdings, LLC to pay assessments. Eagles Nest Holdings, LLC has filed a counterclaim challenging the vote of the Board to proceed regarding the assessments. To the extent the Board is not duly constituted. The Eagles Master Association has reviewed the counterclaim and is vigorously defending the counterclaim. In addition, to the extent the Association were not the prevailing party, it would be responsible for Eagles Nest Holdings, LLC attorney's fees incurred in the matter. The Association is vigorously prosecuting its lien and defending against the counterclaim.

Supplementary Information

The Eagles Master Association, Inc
Supplementary Schedule of Operating Expenses
For the Year Ended September 30, 2009
(compiled)

Administrative

Bad Debt	\$ 14,911
Management Fee	54,176
Accounting Fees	3,930
Office	19,347
Legal Fees	104,865
Collections	3,000
Licenses and Fees	61
Newsletter	920
Bank Charges	24
Insurance	16,083
Depreciation	2,547
Income Tax	178
Consultations	2,265
Meeting	275
Security Supplies	2,148
Decals	1,500
Damage Claims	3,604
Miscellaneous	8,625
Website	611
	<u>239,070</u>

Grounds

Grounds Contract	47,847
Grounds Supplies	1,235
Irrigation Maintenance	1,764
Pond Maintenance Contract	5,566
Drainage Study	-
Trash Collections	3,081
Signage	2,681
Sidewalk	757
Contingency	176
Road Repairs	6,036
	<u>71,651</u>

Buildings and maintenance

Building Repairs and Maintenance	4,611
Damage Repair	81
Light Repair	2,617
	<u>7,309</u>

(Read Accountants Report)

The Eagles Master Association, Inc
Supplementary Schedule of Operating Expenses
For the Year Ended September 30, 2009
(compiled)

Utilities and services

Water and Sewer	\$ 3,463
Electric	30,097
Telephone	8,755
Security Contract	310,407
Security Vehicle	8,328
Security Staff Wages	39,463
Speed Enforcement	185
Camera	3,676
Gate Maintenance	10,415
	<u>414,789</u>

Total Expenses \$ 732,819

(Read Accountants Report)